

CONFIDENTIAL

FIRM ENERGY PURCHASE AGREEMENT

This FIRM ENERGY PURCHASE AGREEMENT, dated as of June 22, 2001 (the "Agreement"), is made and entered into, by and between the California Department of Water Resources, an agency of the State of California, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System (the "Department" or the "Buyer"), and Clearwood Electric Company, LLC, a limited liability corporation organized and existing under the laws of the State of Nevada (the "Seller");

WITNESSETH:

WHEREAS, the Department solicited bids for firm energy; and

WHEREAS, the Seller has submitted a bid in response to the Department's solicitation; and

WHEREAS, the Department has determined to accept a bid of the Seller;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions. The following terms shall have the respective meanings in this Agreement:

"Authorized Representative" shall mean the person or persons designated in Appendix B as having full authority to act on behalf of a party for all purposes hereof.

"Availability" means the time as hours or percent of hours in a year that the Project is capable of making power after allowing for planned maintenance outages and unplanned outages; which unplanned outages shall consist of equipment failure, transmission system failure, wellfield problems and outages due to one or more Uncontrollable Forces beyond the control of the Seller.

"Billing Address" means the billing address specified in Appendix B or as otherwise specified by the Department.

"Business Day" means any day other than a Saturday or Sunday or a (United States or Canadian, whichever is applicable) holiday. United States holidays shall be holidays observed by

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Federal Reserve member banks in New York City. Where the Seller has its principal place of business in the United States, Canadian holidays shall not apply. In situations where the Seller has its principal place of business within Canada, both United States and Canadian holidays shall be observed.

“CAISO” shall mean the California Independent System Operator.

“Costs” shall have the meaning set forth in Section 6.03 hereof.

“Credit Guarantee Fund” means the special reserve fund to be established and maintained by the Seller pursuant to the provisions of Section 7.01 of this Agreement.

“Defaulting Party” shall have the meaning set forth in Section 6.01 hereof.

“Delivery Point” means the California Independent System Operator’s, or CAISO’s, zone into which firm energy supplied by the Seller will be delivered as described in Appendix A.

“Delivery Rate” shall mean the rate at which the Project can produce firm energy, in units of Megawatts (MW).

“Firm Energy” means the Unit Contingent Firm Energy to be delivered and purchased as set forth in Appendix A hereto, which is to be delivered approximately 8,000 hours per year based on the Availability of the Project.

“Event of Default” shall have the meaning set forth in Section 6.01 hereof.

“Facility” means the geothermal energy driven electrical generation facility to be developed by the Seller on property leased or purchased by or otherwise available to the Seller at or near the western boundaries of Clear Lake, Lake County, California, including all associated structures, machinery and equipment and other property, both real and personal, used in the operation of the Facility. The Facility has a rated electrical generation capacity of 25 MWh net to the Delivery Point; however, the actual amount of energy available for delivery and purchase at the Delivery Point may be more or less due to geothermal reservoir conditions and seasonal variations in the ambient air conditions at the site of the Facility. The design rating of the Facility will be a minimum of 25 MWh and a maximum of 30 Mwh net to the Delivery Point during normal operations.

“Fund” means the Department of Water Resources Electric Power Fund as set forth in Water Code Section 80000 *et seq.* as established by February 1, 2001, Assembly Bill 1, First Extraordinary Session.

“Initial Delivery Date” shall be the date stated in Appendix A to this Agreement on which the Seller confirms in writing to the Buyer that Seller is completed with start-up of the Project.

“Investment Grade” means with respect to the Fund a rating for public bonding purposes of at least “Baa3” from Moody’s and “BBB-” from S&P.

“Invoice Month” means the calendar month after the delivery of Firm Energy for which an invoice is being issued.

“Market Quotation Average Price” shall mean the average of the good faith quotations solicited from not less than five (5) Reference Market-makers disregarding the highest and lowest quotations. If quotations cannot be obtained from five Reference Market-makers, the Market Quotation Price shall be the average of all quotations received.

“Market Value” shall have the meaning set forth in Section 6.03 hereof.

“Moody’s” means Moody’s Investor’s Services, Inc. or its successor.

“NERC” shall mean the North American Electric Reliability Council or any successor organization.

“Nominal Rating” means the design rating of the Facility as described in the definition of “Facility” above.

“Non-Defaulting Party” shall have the meaning set forth in Section 6.01 hereof.

“Per Unit Market Price” means the applicable price per MWh determined in accordance with Section 6.03.

“Present Value Rate” shall have the meaning set forth in Section 6.03 hereof.

“Project” means the geothermal power generation project to be developed at a site located near the western boundaries of Clear Lake, Lake County, California, including the Facility and associated geothermal wellfield and equipment.

“Prudent Electrical Practices” shall mean those practices, methods, and equipment as changed from time to time, that are commonly used in prudent electrical engineering and operations to design and operate electric equipment and alternative energy facilities lawfully and with safety, dependability, efficiency and economy.

“Purchase Price” means the price set forth in Appendix A.

“Reference Market-maker” means any marketer, trader or seller of or dealer in Firm Energy products whose long-term unsecured senior debt is rated Investment Grade.

“Replacement Contract” means a contract having a term, transaction quantity, availability rate, delivery rate, Delivery Point and product configuration substantially similar to the remaining Term, transaction quantity, delivery rate, Delivery Point and product configuration of this Agreement.

“Replacement Price” means the price at which the Department, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Firm Energy not delivered by the Seller hereunder, plus (i) costs reasonably incurred by the Department in purchasing such substitute Firm Energy; and (ii) additional transmission or other charges, if any, reasonably incurred by the Department to the Delivery Point, or at the Department’s option, the market price at the Delivery Point for such Firm Energy not delivered as determined by the Department in a commercially reasonable manner; *provided, however*, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall the Department be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize the Seller’s liability. For purposes of this definition, the Department shall be considered to have purchased replacement Firm Energy to the extent the Department shall have entered into one or more arrangements in a commercially reasonable manner whereby the Department repurchases the Seller’s unfulfilled obligation to sell and deliver the Firm Energy from another party at the Delivery Point.

“Sale Price” means the price at which the Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Firm Energy not received by the Department from the Seller, deducting from such proceeds any (i) costs reasonably incurred by the Seller in reselling such Firm Energy; and (ii) additional transmission charges, if any, reasonably incurred by the Seller in delivering such Firm Energy from the Delivery Point to the third party purchasers, or at the Seller’s option, the market price at the Delivery Point for such Firm Energy not received as determined by the Seller in a commercially reasonable manner; *provided, however*, in no event shall such price include any penalties, ratcheted demand or similar charges nor shall the Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize the Department’s liability. For purposes of this definition, the Seller shall be considered to have resold such Firm Energy to the extent the Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby the Seller makes an alternate sale of the Firm Energy to a third party at the Delivery Point.

“S&P” means Standard & Poor’s Ratings Services (a division of McGraw-Hill, Inc.) or its successor.

“State” means the State of California.

“Term” shall have the meaning set forth in Section 2.05.

“Termination Payment” shall have the meaning set forth in Section 6.02 hereof.

“Uncontrollable Force” shall have the meaning set forth in Section 5.01 hereof.

“Unit Contingent Firm Energy” means that delivery of power is contingent upon the Availability of the Project, *i.e.*, whenever the Facility is capable of commercial operation, the Seller is obligated to operate and deliver power to the Delivery Point at the Facility’s maximum capability, which may at times be greater than 25 MWh, but not greater than 30 MWh, and the Department is obligated to purchase and pay for such power delivered to the Delivery Point, whether or not the Department takes actual delivery thereof.

ARTICLE II PURCHASE AND SALE OF ENERGY

SECTION 2.01. Purchase and Sale of Firm Energy. The Seller shall sell and deliver, or cause to be sold and delivered, and the Department shall purchase and receive, or cause to be purchased and received, the Firm Energy at the Delivery Point, beginning on the Initial Delivery Date and continuing for the Term set forth in Appendix A to this Agreement, and for which the Department shall pay the Seller the Purchase Price. The Seller shall be obligated to schedule to the Department and to generate the Firm Energy at the Facility’s maximum capability available in each hour, unless restricted by the exercise of Prudent Electrical Practices, and to operate the Facility such that monthly actual generation is within plus or minus 10% of monthly scheduled generation. The Seller shall be responsible for any costs or charges imposed on or associated with the Firm Energy up to the Delivery Point. The Department shall be responsible for any costs or charges imposed on or associated with the Firm Energy or its receipt at and from the Delivery Point. In addition, the Seller shall sell and deliver and the Department shall purchase and receive any Firm Energy produced by the Facility prior to the Initial Delivery Date, upon reasonable notice by the Seller and according to the terms of this Agreement. In no event shall the Seller have the right to procure electric energy from sources other than the Facility for sale and delivery pursuant to this Agreement.

SECTION 2.02. Transmission and Scheduling. The Seller shall arrange and be responsible for transmission service to the Delivery Point and shall, at the Seller’s expense, obtain Schedule Coordination Services necessary to deliver the Firm Energy to the Delivery Point. The Seller shall be responsible for all CAISO costs and charges, including imbalance charges due to deviations from power schedules. The Department shall arrange and be responsible for transmission service at and from the Delivery Point and shall schedule with its transmission providers to receive the Firm Energy at the Delivery Point. All deliveries shall be scheduled in accordance with CAISO requirements to fulfill contractual metering and interconnecting requirements set forth in the CAISO tariff and the implementing CAISO standards and requirements, including but not limited to, executing a standard form CAISO Participating Generator Agreement, so as to be able to delivery Firm Energy to the Delivery

Point which is in the CAISO Controlled Grid. The Seller shall be responsible for ensuring that Firm Energy deliveries are scheduled as firm power consistent with the most recent rules adopted by the applicable NERC regional reliability council and CAISO, or their respective successors. Risks of transmission curtailment or interruptions, unless due to the operation of an Uncontrollable Force, shall be the responsibility of the Seller up to the Delivery Point.

No later than the Initial Delivery Date, the Seller shall deliver to the Buyer its forecast of the amount of MWh of Firm Energy it expects to deliver each day of the period commencing on the Initial Delivery Date and ending on the next succeeding April 30. No later than April 1 of each year during the term of this Agreement, the Seller shall deliver to the Buyer its forecast of the amount of MWh of Firm Energy it expects to deliver each day of the twelve (12) month period commencing on the next succeeding May 1 (adjusted for any remaining term of this Agreement of less than twelve (12) months). No later than the first day of each calendar month, the Seller shall deliver to the Buyer its forecast of the amount of MWh of Firm Energy it expects to deliver each hour of each day of such calendar month. No later than noon on the Tuesday before each week consisting of the Sunday immediately succeeding such Tuesday at 12:00 P.M. midnight, Pacific time, to the following Saturday at 11:59 P.M., Pacific time, the Seller shall deliver to the Buyer its update of the amount of MWh of Firm Energy it expects to deliver to the Buyer for each hour of each day of such week. No later than four (4) hours before the Seller's Scheduling Coordinator is required to submit its preferred day-ahead energy schedule to CAISO, the Seller shall deliver to the Buyer its preferred day-ahead schedule and, thereafter, the Seller shall immediately deliver to the Buyer notice of any changes to such preferred day-ahead schedule and the reason(s) therefor.

Notwithstanding anything to the contrary herein, in the event the Seller makes a same-day change to its schedule for any reason (other than an adjustment imposed by CAISO) which results in an increase to its output (whether in part or in whole), the Buyer shall have the right, but not the obligation, to take delivery of such energy and to pay for such increase in output at the purchase price per MWh set forth in Appendix A, which right must be exercised no later than one (1) hour prior to the deadline for the Buyer, in its capacity as a Scheduling Coordinator, to submit hour-ahead schedules to CAISO, otherwise such right shall be deemed not to have been exercised and the Buyer shall have neither the right nor the obligation to take delivery of such energy.

SECTION 2.03. Operation and Maintenance of Project.

(a) The Seller shall provide to the Department a list of Scheduled Maintenance Periods by July 1 of each calendar year, but not later than six (6) months prior to beginning the

proposed scheduled maintenance of the Facility or other portions of the Project. The Seller shall coordinate with the Department whenever possible to perform scheduled maintenance in order to minimize the impact on the Department's delivery of energy to its customers. The Seller shall not schedule major overhauls of the Facility or geothermal wellfield during the Department's peak months for the purchase and resale of energy.

(b) In the event the Facility or wellfield, or portions thereof, must be shut down for unscheduled maintenance, the Seller shall notify the Department as soon as practicable of the necessity of such shutdown, the time when such shutdown has occurred, or will occur, and the anticipated duration and extent of such shutdown. The Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled maintenance and to limit the duration and extent of any such shutdown.

(c) An operating procedures document which details the operating and maintenance procedures to be followed by the Project operators will be in place prior to delivery of energy to the Department.

(d) The Seller shall operate and maintain the Project in accordance with Prudent Electrical Practices.

SECTION 2.04 Sources of Payment; No Debt of State. The Department's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of the Department arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or default or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against the Department hereunder, shall be satisfied solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement.

SECTION 2.05. Term. The term of this Agreement (the "Term") shall be set forth in Appendix A. This Agreement shall terminate upon expiration of the term specified in Appendix A.

ARTICLE III REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties of the Department. The Department makes the following representations and warranties:

(a) Pursuant to Water Code Section 80000 *et seq.* the Department is authorized and empowered to enter into the transactions contemplated by this Agreement and has taken all requisite action to carry out its obligations hereunder. By proper action of its officers, the Department has duly authorized the execution and delivery of this Agreement.

(b) The Fund has been validly established under the Act and the Department is required under the provisions of Section 80200 of the California Water Code to deposit all revenues payable to the Department under Division 27 of the Act into the Fund.

(c) The execution, delivery and performance by the Department of this Agreement and the consummation by the Department of the transactions herein contemplated have been duly authorized and will not violate any provision of law in any material respect, or any order or judgment of any court or agency of government having jurisdiction thereover, or be in material conflict with or result in a material breach of or constitute (with due notice and/or lapse of time) a material default under any material indenture, material agreement or other material instrument to which the Department is a party or by which it or any of its property is subject to or bound.

(d) Assuming due and proper execution hereof by the Seller, this Agreement, constitutes the legal, valid and binding obligation of the Department enforceable against the Department in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

SECTION 3.02. Representations and Warranties of the Seller. The Seller makes the following representations and warranties:

(a) The Seller is a corporation or other such legal entity duly organized, validly existing and in good standing under the laws of the state in which it was formed or incorporated, is duly qualified to do business in and is in good standing under the laws of the State, is not in violation of any provision of its articles of incorporation or by-laws, has the power and authority to own its property and assets, to carry on its business as now being conducted by it and to execute, deliver and perform this Agreement. To the best of the Seller's knowledge, the Seller is duly qualified to do business in every jurisdiction in which such qualification is necessary.

(b) The execution, delivery and performance of this Agreement and the consummation of the transactions by the Seller herein contemplated have been duly authorized by all material requisite action on the part of the Seller and will not violate any provision of law, any order or judgment of any court or agency of government, or the certificate of incorporation or by-laws of the Seller, or any material indenture, agreement or other instrument to which the Seller is a party or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a material default under any such indenture, agreement or other instrument.

(c) This Agreement constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(d) There is no substantive action or proceeding pending or, to the best knowledge of the Seller, threatened by or against the Seller by or before any court or administrative agency that might adversely affect the ability of the Seller to perform its obligations under this Agreement and all material authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Seller as of the date hereof in connection with the execution and delivery of this Agreement or in connection with the performance of the obligations of the Seller hereunder have been obtained.

(e) The Seller is solvent. No action has been instituted, with respect to the Seller, by the Seller or by another person or entity of a bankruptcy, reorganization, moratorium, liquidation or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditor's rights or petition have been presented or instituted for its winding-up or liquidation.

ARTICLE IV PAYMENTS

SECTION 4.01. Billing Period; Billing Address. The accounting and billing period for transactions under this Agreement shall be one (1) calendar month. Bills sent to the Department shall be sent to the Billing Address.

SECTION 4.02. Payments. Payments for amounts billed hereunder shall be paid so that such payments are received by the Seller by the last Business Day of the Invoice Month or the 10th day after receipt of the bill, whichever is later. Payment shall be made at the location designated by the Seller to which payment is due. Payment shall be considered received when the Department mails payment; *provided, however*, that if requested by the Seller, the Department will make any such payment to the Seller by wire transfer (with any wire transfer fees to be paid by the Seller). If the due date falls on a non-Business Day of either the Department or the Seller, then the payment shall be due on the next following Business Day.

SECTION 4.03. Late Payments. Amounts not paid on or before the due date shall be payable with interest accrued at the rate of one percent (1%) above the Pooled Money Investment Account rate accrued in accordance with Government Code Section 927.6(6) not to exceed 15%.

SECTION 4.04. Disputes. In case any portion of any bill is in dispute, the entire bill shall be paid when due. Any excess amount of bills which, through inadvertent errors or as a result of a dispute, have been overpaid shall be returned by the Seller upon determination of the

correct amount, with interest accrued at the rate provided in Section 4.03 hereof, prorated by days from the date of overpayment to the date of refund. Neither the Department nor the Seller shall have rights to dispute the accuracy of any bill or payment after a period of two (2) years from the date on which the first bill was delivered.

SECTION 4.05. Records Retention and Audit.

(a) *Records Retention.* The Department and the Seller, or any third party representative thereof, shall keep complete and accurate records, and shall maintain such records and other data as may be necessary for the purpose of ascertaining the accuracy of all relevant bills, data, estimates, or statements of charges submitted hereunder. Such records shall be maintained for a period of three (3) years after final payment under this Agreement. Within three (3) years from final payment under this Agreement, any party to any transaction may request in writing copies of the records of the other party to the extent reasonably necessary to verify the accuracy of any statement or charge. The party from which documents or data has been requested shall cooperate in providing the documents and data within a reasonable time period.

(b) *Audit.* The Seller agrees that the Department, the Department of General Services and the Bureau of State Audits, or their designated representatives, shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. The Seller agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. The Seller agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, the Seller agrees to include similar right of the State to audit records and interview staff in any contractors or suppliers related to performance of this Agreement.

ARTICLE V UNCONTROLLABLE FORCES

SECTION 5.01. Uncontrollable Forces. No party shall be considered to be in breach of this Agreement to the extent that a failure to perform its obligations under this Agreement shall be due to an Uncontrollable Force. The term "Uncontrollable Force" means any cause beyond the control of the party affected, including but not restricted to flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority, and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority (including denial of or refusal to grant or delay in granting permits, approvals, licenses or authorizations required in connection with the construction and/or operation of the Facility or the geothermal wellfield), delay in transportation, inability after due and timely diligence to procure required materials, equipment or parts, delays in completing required interconnection and electrical transmission facilities due to the fault of a party other than the

Seller, delays in completing the geothermal wellfield and gathering system due to the shortage of available drilling rigs, equipment and supplies or other circumstances beyond the reasonable control of the Seller, delays in financing the Project due to the credit rating of the Fund, environmental or technical considerations, or other Project-related conditions beyond the reasonable control of the Seller, unforeseen environmental conditions or land use restrictions resulting in whole or part from the Seller's drilling and construction activities which require remediation or reconfiguration of the Project, or inadequate or excessive geothermal reservoir pressures or temperatures, or the presence of foreign substances therein, which Uncontrollable Force, or combination of Uncontrollable Forces, by exercise of due diligence such party could not reasonably have been expected to avoid, and to the extent which by exercise of due diligence has not been able to overcome. No party shall, however, be relieved of liability for failure of performance to the extent that such failure is due to causes arising out of its own negligence or due to removable or remediable causes which it fails to remove or remedy within a reasonable time period. Nothing contained herein shall be construed to require a party to settle any strike or labor dispute in which it may be involved. Any party rendered unable to fulfill any of its obligations by reason of an Uncontrollable Force shall give prompt notice of such fact and shall exercise due diligence to remove such inability within a reasonable time period. If oral notice is provided, it shall be promptly followed by written notice. Notwithstanding the foregoing, an Uncontrollable Force shall not be based on (i) the loss of the Department's markets; (ii) the Department's inability economically to use or resell the Firm Energy purchased hereunder; or (iii) Seller's ability to sell the Firm Energy at a price greater than the Purchase Price.

The Department shall not be relieved by operation of this Section 5.01 of any liability to pay for power delivered by the Seller to the Delivery Point for acceptance by the Department or to make payments then due or which the Department is obligated to make with respect to performance which occurred prior to the Uncontrollable Force.

ARTICLE VI EVENTS OF DEFAULT

SECTION 6.01. Events of Default. Except to the extent caused by an Uncontrollable Force, an "Event of Default" shall mean with respect to a party ("Defaulting Party"):

- (a) The failure by the Defaulting Party to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within fifteen (15) days after written notice of such failure is given to the Defaulting Party by the other party (the "Non-Defaulting Party"). The Non-Defaulting Party shall provide the notice by facsimile to the Authorized Representative specified in Appendix B for the Defaulting Party and also shall send the notice by overnight delivery to such Authorized Representative; or

- (b) The failure by the Defaulting Party to provide clear and good title as required by Section 10.01, to have made accurate representations and warranties as required by Sections 3.01 or 3.02 or to perform any other material covenant or obligation hereunder, and such failure is not cured within thirty (30) days after written notice to perform thereof to the Defaulting Party; *provided, however*, that such thirty (30) day period shall be extended if such failure to perform cannot reasonably be cured within the thirty (30) day period and the Defaulting Party promptly and diligently undertakes to cure such failure and continues such curative efforts within the thirty (30) day period, and the Defaulting Party is either successful in curing the failure to perform, or such failure is waived, within a maximum period of twenty-four (24) months from the date such written notice is given to the Non-Defaulting Party; *provided further*, (i) if the failure to perform by the Seller is due to an equipment failure or deficiency related to the design or operation of the Facility or any of its subsystems, which occurs more than one (1) year after the Initial Delivery Date, the Seller shall have one (1) year from the date of giving written notice thereof to the Buyer in which to correct the problem and resume production and delivery of Firm Energy to the Buyer at the Facility's Nominal Rating or other agreed upon net electrical output (it being understood that the Seller shall be obligated to exercise due diligence and to follow Prudent Electrical Practices to effect the foregoing), or (ii) if the failure to perform by the Seller is due to geothermal wellfield conditions, including problems with the geothermal resource gathering system, the Seller shall have a maximum period of eighteen (18) months from the date of giving written notice thereof to the Buyer in which to correct the wellfield conditions and resume production and delivery of Firm Energy to the Buyer at the Facility's Nominal Rating or other agreed upon net electrical output. If, at the end of any such curative period specified in (i) and (ii) above, the Seller is unable or unwilling to restore the Firm Energy output of the Facility to its Nominal Rating or other agreed upon net electrical output, then the Buyer may, in the exercise of reasonable discretion and upon prior written notice to the Seller, derate the Facility to its maximum electrical output or capacity at that time, adjusted for average seasonal ambient air conditions as stated in the definition of Facility herein, and the Buyer shall not be obligated to purchase Firm Energy produced by the Facility above the adjusted nominal capacity rating of the Facility for the remaining term of this Agreement. The Non-Defaulting Party shall provide the notice by facsimile to the designated contact person for the Defaulting Party and also shall send the notice by overnight delivery to such Authorized Representative; or
- (c) The institution, with respect to the Defaulting Party, by the Defaulting Party or by another person or entity, of a bankruptcy, reorganization, moratorium, liquidation or similar insolvency proceeding or other relief under any bankruptcy

or insolvency law affecting creditor's rights, or a petition is presented or instituted for its winding-up or liquidation; or

- (d) The Defaulting Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Defaulting Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the Non-Defaulting Party.

SECTION 6.02. Remedies for Events of Default. (a) If an Event of Default occurs, and is not cured or waived within the time permitted under Section 6.01 above, the Non-Defaulting Party shall possess the right to terminate this Agreement upon written notice (by facsimile or other reasonable means) to the Defaulting Party, such notice of termination to be effective immediately upon receipt. The payment associated with termination ("Termination Payment") shall be the aggregate of the Market Value and Costs calculated in accordance with Section 6.03, but, subject to the provisions of Section 6.02(b) and the last paragraph of Section 6.03 hereof, in no event to exceed the lesser of the actual pecuniary loss suffered by the Department as a result of the termination of the Agreement or the total amount of the Credit Guarantee Fund, including accrued interest, on the date of termination. Subject to the provisions of Section 6.02 (b) and the last paragraph of Section 6.03 hereof, the Termination Payment shall be the sole and exclusive remedy for the Non-Defaulting Party for a termination hereunder. Prior to receipt of such notice of termination by the Defaulting Party, the Non-Defaulting Party may exercise any remedies available to it at law or otherwise, including, but not limited to, the right to seek injunctive relief to prevent irreparable injury to the Non-Defaulting Party.

(b) Upon termination, the Non-Defaulting Party may withhold any payments it owes the Defaulting Party for any obligations incurred prior to termination under this Agreement until the Defaulting Party pays the Termination Payment to the Non-Defaulting Party.

(c) The Seller shall have the right to sell electrical power generated by the Facility to any third-party upon commercially reasonable terms during any period when the Buyer is in default in its payment obligations under this Agreement for a period of fifteen (15) days or more after written notice of such default is given by the Seller to the Buyer, whether or not such default is due to an Uncontrollable Force.

SECTION 6.03. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

- (a) Market Value shall be (i) in the case the Department is the Non-Defaulting Party, the present value, calculated using a discounted cash flow model, of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement; or (ii) in the case the Seller is the Non-

Defaulting Party, the present value, calculated using a discounted cash flow model, of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract (if any) based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The “Present Value Discount Rate” shall mean the sum of 0.50% plus the yield reported on page “USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches, as closely as possible, the average remaining term of this Agreement. It is expressly agreed that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.

(b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, any or all of the settlement prices of the NYMEX power futures contracts, any or all of the settlement prices on other established power exchanges and other *bona fide* third party offers; *provided, however*, that if there is no actively traded market for such Replacement Contract, the Non-Defaulting Party shall use the methodology set forth in paragraph (c).

(c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; *provided, however*, that if there is an actively traded market for such Replacement Contract, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).

(d) “Costs” means brokerage fees, commissions and other similar transaction costs and expenses reasonably incurred in terminating any specifically related arrangements pursuant to which the Non-Defaulting Party has hedged its obligations or entering into new arrangements which replace this Agreement, transmission and ancillary service costs caused by the termination of this Agreement incurred in connection with the Non-Defaulting Party enforcing its rights with regard to the termination of this Agreement.

(e) In no event, however, shall a Party’s Market Value or Costs include any penalties or similar charges imposed by the Non-Defaulting Party.

(f) The Non-Defaulting Party shall use reasonable efforts to mitigate the amount of the Termination Payment, including: to the extent practicable, the mitigation or elimination of the Costs.

(g) If the Buyer defaults in its payment obligations under this Agreement for a period of fifteen (15) days or more after written notice of such default is given by the Seller to the Buyer, during the period of such default and after the termination of this Agreement, the Seller shall have the absolute right to resell electrical power generated by the Facility to one or more third parties without interference from the Buyer.

If the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, the calculation issue shall be submitted to dispute resolution as provided in Section 8.01 of this Agreement. If the Seller is the Defaulting Party the Department's sole source of the Termination Payment shall be the Credit Guarantee Fund as provided in Section 7.03 below unless the Seller is the Defaulting Party for reasons other than economic necessity or hardship resulting in a negative cash flow to the Project for a period of ninety (90) consecutive days or longer and the cumulative amount of such negative cash flow is in the amount of not less than one million dollars (\$1,000,000), impossibility of performance, the existence of one or more Uncontrollable Forces, or other circumstances beyond the Seller's reasonable control as of the time the Event of Default occurs which result in a negative cash flow to the Project for a period of ninety (90) consecutive days or longer and the cumulative amount of such negative cash flow is in the amount of not less than one million dollars (\$1,000,000). The Defaulting Party shall pay or cause to be paid the full amount of the Termination Payment as soon as practicable, but in no case later than 180 days following the termination date. Without limiting any other provisions of this Agreement, the payment and rate covenants of the Department set forth herein shall remain in full force and effect until payment of the Termination Payment.

ARTICLE VII

CREDIT GUARANTEE FUND

SECTION 7.01. Creation of the Credit Guarantee Fund. Prior to the Initial Delivery Date, the parties shall enter into a written escrow agreement in a form which shall be mutually satisfactory to the Seller and the Buyer (the "Escrow Agreement"). The purpose of the Escrow Agreement shall be, among other things, to establish a special reserve fund which shall operate during the term of the Project to satisfy the Seller's creditworthiness and performance obligations under the Agreement (the "Credit Guarantee Fund"). The Escrow agent shall be a banking institution organized under the laws of the United States or of the State and shall be held at an office of such escrow agent located within the State.

SECTION 7.02. Deposits to Credit Guarantee Fund. Upon closing the long-term financing for the Project, which shall occur not later than the Initial Delivery Date, the Seller shall deposit into the Credit Guarantee Fund the sum \$250,000 cash and shall provide the Department

with satisfactory proof of such deposit. Thereafter, on the anniversary date of such initial deposit and on the same date of each successive year thereafter, (or the next Business Day if such date falls on a weekend or holiday) (the "Anniversary Date"), the Seller shall make an additional deposit of \$250,000 cash to the Credit Guarantee Fund, for a total of four consecutive years or until such time as the principal balance of the Credit Guarantee Fund reaches \$1,250,000. The Seller's obligation to make the initial deposit and each succeeding deposit to the Credit Guarantee Fund shall be extended during the operation of any Uncontrollable Force which shall have the effect of suspending or limiting the payment to the Seller of the Purchase Price for Firm Energy delivered to the Delivery Point. In that event, the Anniversary Date for the next succeeding deposit to the Credit Guarantee Fund shall be postponed until the resolution or elimination of the Uncontrollable Force which caused the delay or limitation in payment to the Seller, and the Anniversary Date for each subsequent required deposit shall likewise be postponed for the length of the delay created by such Uncontrollable Force. After the Credit Guarantee Fund reaches the amount of \$1,250,000, as further defined in the Escrow Agreement, the Seller shall be obligated to make additional deposits thereto only if the amount on deposit in the Credit Guarantee Fund falls below \$1,250,000 due to the issuance of payments from the Credit Guarantee Fund to the Department for the purposes authorized in Section 7.03 below and the Escrow Agreement. In the event the Seller is obligated to make further deposits to the Credit Guarantee Fund due to authorized payments therefrom to the Department, such additional deposits shall be in the maximum amount of \$250,000 per year, and shall commence one year from the date (or the next Business Day if such date falls on a weekend or holiday) the amount on deposit in the Credit Guarantee Fund drops below \$1,250,000. The additional deposits to the Credit Guarantee Fund, if any are required, shall continue on the same date of each successive year thereafter until the amount required to be on deposit in the Credit Guarantee Fund is restored. The date for the initial makeup deposit and any subsequent deposits required hereunder shall be extended in the event of one or more Uncontrollable Force events which have the effect of delaying or limiting the Seller's receipt of payments under Sections 2.01, 4.01 and 9.02 of this Agreement.

SECTION 7.03. Payments from the Credit Guarantee Fund. The Department may, upon not less than ten (10) days prior written notice to the Seller, cause one or more payments from the Credit Guarantee Fund to be made to the Department, pursuant to the terms of the Escrow Agreement, in order to compensate the Department for losses arising out of the Seller's breach of Section 9.01 below or an Event of Default, including but not limited to, payment of the Termination Payment provided for in Section 6.02 of this Agreement.

SECTION 7.04. Payment of Earned Interest. On or after each Anniversary Date following the Seller's initial deposit of funds into the Credit Guarantee Fund in accordance with Section 7.02 above, the Seller may, at its sole option, receive payment of any interest earned on the amount on deposit in the Credit Guarantee Fund during the preceding one-year period;

provided, however, the Seller shall not be entitled to receive any such interest payments if the Seller has failed to make any required deposits to the Credit Guarantee Fund or is otherwise in default in any of its material obligations under the Agreement. The Seller shall not be entitled to payment of any interest earned on the amount on deposit in the Credit Guarantee Fund on more than one occasion per year and shall first give written notice of its intent to request payment of earned interest for the preceding year to the Department. The Escrow Agreement shall provide for the manner in which the Seller may request and receive payment of earned interest on the amount on deposit in the Credit Guarantee Fund.

ARTICLE VIII DISPUTE RESOLUTION

SECTION 8.01. Dispute Resolution. If the parties are unable to resolve a dispute with respect to this Agreement, either party may send a notice to the other requesting a meeting at which senior officers or officials of the parties will attempt to resolve the dispute. If the parties are unable to resolve the dispute within ten (10) days after the meeting notice is received by the party to whom it is directed, either party may demand that the matter be submitted to a single neutral arbitrator with substantial relevant experience in the power industry. If the parties are unable to agree upon an arbitrator within ten (10) days of the demand, the arbitrator shall be appointed pursuant to California Code of Civil Procedure and the party applying for the appointment of the arbitrator shall request that the appointment be made on an expedited basis. Within ten (10) days of the appointment of the arbitrator, the party demanding arbitration shall submit to the arbitrator a reasonably detailed description of its position together with supporting material. Within a further ten (10) days, the other party shall respond by submitting to the arbitrator a reasonably detailed statement of its position together with supporting material. Each party shall at the same time as such submission deliver copies of its submission to the other party and shall promptly provide any additional explanation or information requested by the arbitrator. The arbitrator shall be instructed to use all reasonable efforts to render a written decision setting forth its findings and conclusions within thirty (30) days of the date on which the arbitration proceedings are concluded. The arbitrator's decision concerning the item or items in dispute shall be final and binding on the parties. The parties shall bear their own costs and share the arbitrator's expenses equally.

ARTICLE IX REMEDIES FOR FAILURE TO DELIVER/RECEIVE

SECTION 9.01. Seller Failure. If the Seller fails to schedule and/or deliver all or part of the Firm Energy, and such failure is not excused under the terms of this Agreement or by the Department's failure to perform, then the Seller shall pay the Department, within ten (10) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Purchase Price from the Replacement Price. The invoice for

such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

SECTION 9.02. Department Failure. If the Department fails to schedule and /or receive all or part of the Firm Energy and such failure is not excused under the terms of this Agreement or by the Seller's failure to perform, then the Department shall pay the Seller, within ten (10) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Sales Price from the Purchase Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

ARTICLE X MISCELLANEOUS

SECTION 10.01. Title, Risk of Loss. The Seller warrants that it will transfer to the Department good title to the Firm Energy sold under this Agreement, free and clear of all liens, claims, and encumbrances arising or attaching prior to the Delivery Point and that Seller's sale is in compliance with all applicable laws and regulations. THE SELLER HEREBY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Risk of loss of the Firm Energy shall pass from the Seller to the Department at the Delivery Point(s); *provided, however,* with regard to federal agencies or parts of the United States Government, title to and risk of loss shall pass to Department to the extent permitted by and consistent with applicable law.

SECTION 10.02. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State, without regard to the conflicts of laws rules thereof.

SECTION 10.03. Forum and Venue. All actions related to the matters which are the subject of this Agreement shall be forumed and venued in a court of competent jurisdiction in the County of Sacramento, State of California.

SECTION 10.04. Waiver of Trial by Jury. The parties do hereby expressly waive all rights to trial by jury on any cause of action directly or indirectly involving the terms, covenants or conditions of this Agreement or any matters whatsoever arising out of or in any way connected with this Agreement. The provision of this Agreement relating to waiver of a jury trial shall survive the termination or expiration of this Agreement.

SECTION 10.05. Amendment. Neither this Agreement nor any provision hereof may be amended, waived, discharged or terminated except by an instrument in writing signed by the Department and the Seller.

SECTION 10.06. Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by the parties, each executed counterpart shall have the same force and effect as an original instrument and as if the parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

SECTION 10.07. Taxes. The Purchase Price shall include full reimbursement for, and the Seller is liable for and shall pay, or cause to be paid, or reimburse the Department for if the Department has paid, all taxes applicable to the Firm Energy that arise prior to the Delivery Point. If the Department is required to remit such tax, the amount shall be deducted from any sums due to the Seller. The Purchase Price does not include reimbursement for, and the Department is liable for and shall pay, cause to be paid, or reimburse the Seller for if the Seller has paid, all taxes applicable to the Firm Energy arising at and from the Delivery Point, including any taxes imposed or collected by a taxing authority with jurisdiction over the Department. Either Party, upon written request of the other party, shall provide a certificate of exemption or other reasonably satisfactory evidence of exemption if either party is exempt from taxes, and shall use reasonable efforts to obtain and cooperate with the other party in obtaining any exemption from or reduction of any tax. Taxes are any amounts imposed by a taxing authority with respect to the Firm Energy.

SECTION 10.08. Transfer of Interest in Agreement. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; *provided, however*, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; (ii) transfer or assign this Agreement to an affiliate of such Party; or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of the Project whose creditworthiness is equal to or higher than that of such Party; *provided, however*, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof, and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

To the extent permitted by law and without prejudice to the rights of the Department under this Agreement, the Department agrees to cooperate with the Seller in executing such additional documents as may reasonably be required by the Seller to accomplish its financing objectives and requirements for the Project.

Anything herein to the contrary notwithstanding, the Department may transfer and assign this Agreement to any entity created or designated by law for such purpose and the Department shall have no further obligations hereunder; *provided, however*, that all right, title and interest in

the Fund shall be transferred to such entity without any encumbrance for the benefit of all persons selling power or energy to the Department, including the Seller. The Department may also pledge and assign the Agreement to a bond trustee as collateral for bonds issued by the Department and may also transfer or assign this Agreement to any electrical corporation, as defined in the Act, whose long-term unsecured senior debt is rated Baa3 or better by Moody's and BBB- or better by S&P.

SECTION 10.09. Severability. In the event that any of the terms, covenants or conditions of this Agreement, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court, regulatory agency, or other regulatory body having jurisdiction, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless a court, regulatory agency, or other regulatory body holds that the provisions are not separable from all other provisions of this Agreement.

SECTION 10.10. Relationship of the Parties. (a) Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership, or impose a trust or partnership covenant, obligation, or liability on or with regard to any one or more of the parties. Each party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement.

(b) All rights of the parties are several, not joint. No party shall be under the control of or shall be deemed to control another party. Except as expressly provided in this Agreement, no party shall have a right or power to bind another party without its express written consent.

SECTION 10.11. No Dedication of Facilities. The Seller's undertaking hereunder shall not constitute the dedication of the electric system or any portion thereof of the Seller to the public or to the other party and it is understood and agreed that any undertaking under this Agreement by the Seller shall cease upon the termination of the Seller's obligations under this Agreement.

SECTION 10.12. No Retail Services; No Agency. (a) Nothing contained in this Agreement shall grant any rights to or obligate the Seller to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither party is acting, or is authorized to act, as agent of the other party.

SECTION 10.13. Third Party Beneficiaries. This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein except as provided for in Section 10.08.

SECTION 10.14. Liability and Damages. No directors, members of its governing bodies, officers or employees of any party and, except as otherwise expressly provided in the Agreement, no party, shall be liable to any other party or parties for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury, or punitive damages, which may occur or result from the performance or non-performance of this Agreement, including any negligence arising hereunder. Any liability or damages faced by an officer or employee of a Federal agency or by that agency that would result from the operation of this provision shall not be inconsistent with Federal law.

SECTION 10.15. Waivers. Any waiver at any time by any Party of its rights with respect to a default under this Agreement, or any other matter under this Agreement, shall not be deemed a waiver with respect to any subsequent default of the same or any other matter.

SECTION 10.16. Notices. Any formal notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person, or sent by either registered or certified mail, postage prepaid, or prepaid telegram or fax or other means agreed to by the parties to the addresses set forth in Appendix B.

SECTION 10.15. Waiver of Consequential Damages. In no event, whether based on contract, indemnity, warranty, tort (including, as the case may be, a party's own negligence) or otherwise, shall either party be liable to the other party or to any other person or party for or with respect to any claims for consequential, indirect, punitive, exemplary, special or incidental damages or otherwise; *provided, however*, that this provision shall not limit in any way a party's right to payment of the Termination Payment pursuant to Section 6.02 hereof or payments pursuant to Section 9.01 hereof.

SECTION 10.16. Standard Contract Provisions. The Standard Contract provisions attached as Exhibit A shall apply to, and are hereby incorporated by reference into, this Agreement.

SECTION 10.17. No Cross Defaults. This Agreement shall be treated as a stand-alone transaction and shall not be cross defaulted to any other transaction between the Department and the Seller, and no default under any transaction of the Department relating to the Department's Water Resources Development System shall be a default under this Agreement, and no default by any party under this Agreement shall be a default under any transaction of the Department relating to the Department's Water Resources Development System.

SECTION 10.18. Right of Seller to Terminate or Extend the Initial Delivery Date Upon Failure of Buyer to Obtain Bond Ratings or Fund Ratings. The Seller shall have the right, but not the obligation, to terminate this Agreement without liability if, prior to October 31, 2001, the Buyer has neither issued bonds with an Investment Grade rating, nor obtained an Investment Grade rating on the ability of the Fund to pay its obligations. The Seller may exercise this right to terminate this Agreement by delivering written notice of such intention to the Buyer no later than

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November 30, 2001 and such termination shall be effective immediately upon the giving of such notice. In lieu of exercising its right to terminate this Agreement as provided in the two immediately preceding sentences of this Section 10.18, the Seller may elect, by delivering written notice to such effect by no later than November 30, 2001, to have the Initial Delivery Date set forth in Appendix A extended without penalty for a period equal to the period between October 31, 2001 and the earlier to occur of the date on which Buyer has issued bonds with an Investment Grade rating or has obtained an Investment Grade rating based on the ability of the Fund to pay its obligations (for example, if the Buyer has issued bonds with an Investment Grade rating on the 45th day after October 31, 2001, the Initial Delivery Date set forth in Appendix A shall be extended by a period of 45 days without penalty).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER
RESOURCES acting solely under the authority and
powers created by AB1-X, codified as Sections
80000 through 80270 of the Water Code (the
"Act"), and not under its powers and
responsibilities with respect to the State Water
Resources Development System

By: _____

Name: _____

Title: _____

Raymond D. Hart
Raymond D. Hart
Deputy Director

CLEARWOOD ELECTRIC COMPANY, LLC

By: _____

Name: _____

Title: _____

JACK WOOD
JACK WOOD
TRUSTEE, THE WOOD FAMILY TRUST
MANAGING MEMBER

6/22/2001

Firm Energy

Product: Unit Contingent, 25MW output from Clearwood Geothermal Unit #1 located at Clearlake Oaks in Lake County, California

Purchase Price: \$67.40 per MWH

Initial Delivery Date and Term:

Initial Delivery Date: Expected to be May 31, 2002. The Initial Delivery Date may be extended at the option of Seller to November 30, 2002 without penalty; *provided* that if the Initial Delivery Date has not occurred by December 1, 2002, the Department shall have the right to terminate this Agreement unless the delay in the occurrence of the Initial Delivery Date has been caused by an Uncontrollable Force.

Term: Commencing on the Initial Delivery Date and ending on the tenth anniversary of the Initial Delivery Date.

Delivery Rate: 25MW

Delivery Point:

Pacific Gas & Electric's "Red Bud" substation, Highway 20, Clearlake Oaks, Lake County, California

Addresses

SELLER

Billing Address: Clearwood Electric Company, LLC
c/o The Wood Family Trust
21859 Angeli Place
Grass Valley, California 95949
Telephone: (530) 269-0828
Fax: (530) 268-0110
jackwood@gv.net

Notice Address: Clearwood Electric Company, LLC
c/o The Wood Family Trust
21859 Angeli Place
Grass Valley, California 95949
Telephone: (530) 269-0828
Fax: (530) 268-0110
jackwood@gv.net

Authorized Representative: Jack Wood
Trustee

BUYER

Billing Address: California Department of Water Resources
1416 Ninth Street
Sacramento, California 95814
Attention: Contracts Payable
Telephone: (916) 653-6404
Fax: (916) 654-9882

Notice Address: California Department of Water Resources
1416 Ninth Street
Sacramento, California 95814
Attention: Executive Manager Power Systems
Telephone: (916) 653-5913
Fax: (916) 653-0267

Scheduling: Attention: Chief Water and Power Dispatcher
Telephone: (916) 574-2693
Fax: (916) 574-2569

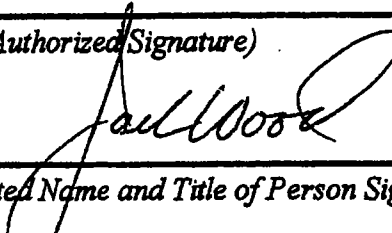
Payments: Attention: Cash Receipts Section
Telephone: (916) 653-6892
Fax: (916) 654-9882

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Exhibit A

CCC800 CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective Contractor to the clause(s) listed below. This certification is made under the laws of the State of California.

<i>Contractor/Bidder Firm Name (Printed)</i> Clearwood Electric Company, LLC	<i>Federal ID Number</i> (to be provided)
<i>By (Authorized Signature)</i> 	
<i>Printed Name and Title of Person Signing :</i> Jack Wood, Trustee, The Wood Family Trust, Managing Member	
<i>Date Executed:</i> June 22, 2001	<i>Executed in the County of</i> Sacramento

CONTRACTOR CERTIFICATION CLAUSES

1. STATEMENT OF COMPLIANCE: Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103) (Not applicable to public entities.)
2. DRUG-FREE WORKPLACE REQUIREMENTS: Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:
 - a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.
 - b. Establish a Drug-Free Awareness Program to inform employees about:
 - 1) the dangers of drug abuse in the workplace;
 - 2) the person's or organization's policy of maintaining a drug-free workplace;
 - 3) any available counseling, rehabilitation and employee assistance programs; and,

4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

1) receive a copy of the company's drug-free workplace policy statement; and,

2) agree to abide by the terms of the company's statement as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the Department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 *et seq.*)

3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two (2) year period because of Contractor's failure to comply with an order of a Federal court which orders Contractor to comply with an order of the National Labor Relations Board. (PCC 10296) (Not applicable to public entities.)

DOING BUSINESS WITH THE STATE OF CALIFORNIA

Contractor agrees to comply with all applicable laws and all applicable orders and regulations of regulatory authorities having jurisdiction over matters covered by this Agreement. Without limiting the foregoing, Contractor shall comply with the following:

1. CONFLICT OF INTEREST: Contractor needs to be aware of the following provisions regarding current or former State employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

Current State Employees (PCC 10410):

1). No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any State agency, unless the employment, activity or enterprise is required as a condition of regular State employment.

2). No officer or employee shall contract on his or her own behalf as an independent contractor with any State agency to provide goods or services.

Former State Employees (PCC 10411):

1). For the two (2) year period from the date he or she left State employment, no former State officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any State agency.

2). For the twelve (12) month period from the date he or she left State employment, no former State officer or employee may enter into a contract with any State agency if he or she was employed by that State agency in a policy-making position in the same general subject area as the proposed contract within the twelve (12) month period prior to his or her leaving State service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for *per diem*. (PCC 10430 (e))

2. LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 *et seq.*)

4. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State, acting through the Department, will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

5. CORPORATE QUALIFICATIONS TO DO BUSINESS IN CALIFORNIA:

a. When agreements are to be performed in the State by corporations, the contracting agencies will be verifying that the contractor is currently qualified to do business in California in order to ensure that all obligations due to the State are fulfilled.

b. "Doing business" is defined in R&TC Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will a corporate contractor performing within the State not be subject to the franchise tax.

c. Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. Agencies will determine whether a corporation is in good standing by calling the Office of the Secretary of State.

6. RESOLUTION: A county, city, district, or other local public body must provide the State with a copy of a resolution, order, motion, or ordinance of the local governing body which by law has authority to enter into an agreement, authorizing execution of the agreement.

7. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

8. PAYEE DATA RECORD FORM STD. 204: This form must be completed by all contractors that are not another State agency or other government entity.

9. APPROVAL: This Agreement is of no force or effect until signed by both parties. Contractor may not commence performance until Agreement is signed by Department.

10. AMENDMENT: No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or Agreement not incorporated in the Agreement is binding on any of the parties.

11. ASSIGNMENT: This Agreement is not assignable by the Contractor, either in whole or in part, without the consent of the State, acting through the Department, in the form of a formal written amendment, except as set forth in Section 10.8 of the Agreement.

12. AUDIT: Contractor agrees that the awarding department, the Department of General Services, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. Contractor agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of the State to audit records and interview staff in any subcontract related to performance of this Agreement. (GC 8546.7, PCC 10115 *et seq.*, CCR Title 2, Section 1896).

13. RECYCLING CERTIFICATION: The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of recycled content, both post consumer waste and secondary waste as defined in the Public Contract Code, Sections 12161 and 12200, in

materials, goods, or supplies offered or products used in the performance of this Agreement, regardless of whether the product meets the required recycled product percentage as defined in the Public Contract Code, Sections 12161 and 12200. Contractor may certify that the product contains zero recycled content. (PCC 10233, 10308.5, 10354)

14. NON-DISCRIMINATION CLAUSE: During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) *et seq.*) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 *et seq.*). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

15. CERTIFICATION CLAUSES: The CONTRACTOR CERTIFICATION CLAUSES contained in California Department of General Services Standard Form CCC800 are hereby incorporated by reference and made a part of this Agreement by this reference as if attached hereto.

16. ANTITRUST CLAIMS: The Contractor by signing this agreement hereby certifies that if these services or goods are obtained by means of a competitive bid, the Contractor shall comply with the requirements of the Government Codes Sections set out below.

a. The Government Code Chapter on Antitrust claims contains the following definitions:

1). "Public purchase" means a purchase by means of competitive bids of goods, services, or materials by the State or any of its political subdivisions or public agencies on whose behalf the Attorney General may bring an action pursuant to subdivision (c) of Section 16750 of the Business and Professions Code.

2). "Public purchasing body" means the State or the subdivision or agency making a public purchase. Government Code Section 4550.

b. In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2 (commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at the time the purchasing body tenders final payment to the bidder. Government Code Section 4552.

c. If an awarding body or public purchasing body receives, either through judgment or settlement, a monetary recovery for a cause of action assigned under this chapter, the assignor shall be entitled to receive reimbursement for actual legal costs incurred and may, upon demand, recover from the public body any portion of the recovery, including treble damages, attributable to overcharges that were paid by the assignor but were not paid by the public body as part of the bid price, less the expenses incurred in obtaining that portion of the recovery. Government Code Section 4553.

d. Upon demand in writing by the assignor, the assignee shall, within one year from such demand, reassign the cause of action assigned under this part if the assignor has been or may have been injured by the violation of law for which the cause of action arose and (a) the assignee has not been injured thereby, or (b) the assignee declines to file a court action for the cause of action. See Government Code Section 4554.

17. CHILD SUPPORT COMPLIANCE ACT: "For any Agreement in excess of \$100,000, the contractor acknowledges in accordance with, that:

a). the Contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with Section 5200) of Part 5 of Division 9 of the Family Code; and

b) the Contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department."

18. IMPERMISSIBLE CONTRACTOR ACTIVITIES WITH REGARD TO UNION ACTIVITIES: The Contractor, by signing this Agreement, certifies that it is aware of its requirements under Government Code Sections 16645 – 16649 which, among other things, precludes certain activities and provides civil penalties with regard to assisting, promoting or deterring union organizing.